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Senate

(Legislative day of Wednesday, May 13, and Thursday, May 14, 1998)

The Senate met at 9:30 a.m., on the expiration of the recess and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

The guest Chaplain, Rabbi Sidney Guthman, of V.A. Medical Center, Long Beach, CA, offered the following prayer:

Our God and God of our ancestors, we ask Your blessings for our country, for its government, for its leaders and advisors, and for all who exercise just and rightful authority.

Creator of all flesh, bless all the inhabitants of our land with Your Spirit. May citizens of all races and creeds forge a common bond in true harmony to banish all hatred and bigotry and to safeguard the ideals and free institutions which are the pride and glory of our Nation.

May this land under Your Providence be an influence for good throughout the world, uniting all people in peace and freedom and helping to fulfill the vision of Your prophet: "Nation shall not lift up sword against nation, neither shall they experience war anymore."—Isaiah 2:4.

Sovereign of the universe, may it be Your will that our land should be a blessing to all the inhabitants of the globe. Cause friendship and freedom to dwell among all peoples. Vouchsafe unto us, O Lord, wisdom equal to our strength and courage equal to our responsibilities, to the end that our Nation may lead the world in the advancement and fulfillment of human welfare.

May all nations become aware of their common unity and may all the peoples of the world be united in the bonds of brotherhood before You, Father of all. "All those who trust in the Lord will renew their strength."—Isaiah 40:31.

May this be our will, and let us say Amen.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The able acting majority leader is recognized.

SCHEDULE

Mr. ALLARD. Mr. President, for the information of all Senators, this morning the Senate will begin a period of morning business until 10:30 a.m. Following morning business, the Senate will resume consideration of the Department of Defense authorization bill. It is hoped that Senators will come to the floor to debate this important piece of legislation and offer amendments under short time agreements. Members should expect rollcall votes throughout the day's session in an attempt to make good progress on the defense bill.

Also, the Senate has reached time agreements with respect to the Abraham immigration bill and the WIPO copyright treaty legislation, and those bills could be considered during today's session.

I thank my colleagues for their attention.

MORNING BUSINESS

The PRESIDING OFFICER (Mr. BROWNBACK). Under the previous order, there will now be a period for the transaction of morning business.

The able Senator from Mississippi is recognized.

CONGRATULATIONS THOMAS GERSTLE ABERNETHY

Mr. COCHRAN. Mr. President, often we rise on the floor of the Senate to

pay tribute to a former Member of Congress or former Member of the U.S. Senate who has passed away, talking about their career and their contributions to our country.

Today I rise to pay tribute to a former Member of Congress from my State of Mississippi who will reach his 95th birthday on Saturday. Thomas Gerstle Abernethy is the last surviving member of our State's delegation of his generation that was very distinguished, indeed, and included in the House of Representatives: Jamie Whitten, Frank Smith, Arthur Winstead, John Bell Williams, and Bill Colmer. In the Senate at that time, Jim Eastland and John Stennis represented our State.

For 30 years, Thomas Abernethy was viewed as a prominent and influential Member of Congress from our State, and indeed he was. He was a member of the Agriculture Committee. He was not reticent or bashful in any way. He often spoke on the floor of the House on a wide and varied range of subjects, with intelligence, energy, and in a conscientious way to serve the interests of our State. He truly was an influence in national affairs in the Congress.

He was born in Eupora, MS, on May 16, 1903. He attended the University of Alabama and the University of Mississippi and graduated from the Law Department of Cumberland University in Lebanon, TN, in 1924. He was admitted to practice law in the State of Mississippi that same year and began practice in his hometown of Eupora in 1925. He was elected mayor of Eupora in 1927. Then in 1929 he moved to Okolona, MS. He continued to practice law there, was elected district attorney, the prosecuting attorney for several counties in that part of the State of Mississippi, in 1936. He served until he was elected to Congress in 1942. That was the 78th Congress that convened on

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.



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January 3, 1943, a turbulent time in the history of our country. For three decades, until his retirement in 1973, Thomas Abernethy served with distinction as a member of our House delegation.

One of the highlights of his career politically came very soon after he was elected to Congress. Our State, during the census of 1950, was reapportioned and lost a Member of Congress. He was put in a congressional district by the State legislature's reapportionment plan, with one of the most senior and best known members of the State's delegation at that time, John Rankin. Many expected that John Rankin would defeat Tom Abernethy in the Democratic primary in 1952. But as it turned out, Tom Abernethy won that race and he served for 20 more years as a member of our House delegation.

He retired the same year that I was elected to the House with two other new Members of our House delegation—David Bowen, who replaced Tom Abernethy; and TRENT LOTT, who replaced the retiring Bill Colmer.

Interestingly enough, Tom Abernethy became a close friend and advisor to me. I sought his advice on matters involving agriculture, the Natchez Trace Parkway, and other issues of importance to me and to our State. I always found his advice and counsel very valuable and helpful.

When I became a candidate in 1978 for the Senate, Tom Abernethy continued to be my friend and advisor, for which I was very grateful. I will always recall accompanying him to his hometown of Okolona during that campaign, meeting with friends of mine and his who had decided to become active in my campaign for the Senate. I could tell that he enjoyed that occasion. I enjoyed it very much too and benefited greatly from his support throughout that campaign.

Today, I'm pleased to advise the U.S. Senate that Tom Abernethy is going to be celebrating his 95th birthday on Saturday. I encourage those who remember him as I do and appreciate him as I do to wish him well on his birthday on Saturday. I congratulate him for his conscientious and effective service to our State and our Nation as a distinguished Member of Congress and as a wise and valued citizen in his role as a former Member of Congress.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. ALLARD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ALLARD. Mr. President, it is my understanding that I have been allocated 15 minutes this morning for comments under morning business.

The PRESIDING OFFICER. Under the previous order, the Senator from

Colorado, Mr. ALLARD, is recognized to speak for up to 15 minutes.

REDUCTION IN THE CAPITAL GAINS TAX

Mr. ALLARD. Mr. President, earlier this year, I introduced S. 1635, legislation to reduce the capital gains tax to 14 percent and to provide indexing of capital gains.

This legislation builds on last year's tax bill, which moved the capital gains rate down from 28 percent to 20 percent. Last year's tax change was a good first step, but I favor a more aggressive approach to tax reform.

The U.S. level of tax on capital has been among the highest in the world. I am dedicated to seeing that it becomes one of the lowest in the world. A low rate of tax will encourage capital investment, economic growth, and job creation.

This is no time for the United States to sit on its lead; We must continue to ensure that America is the premier location in the world to do business. A low capital gains tax will help our economy, but it will also help America's families by reducing their tax burden.

Mr. President, the profile of the average stock market investor is changing rapidly. To make this point, I would like to refer now to a chart that outlines the tremendous growth in stock ownership among middle class Americans. This reflects a recent study commissioned by the NASDAQ stock market, which determined that 43 percent of adult Americans now invest in the stock market. This is double the level of just 7 years ago.

Investing is no longer the exclusive province of the elderly, affluent, or male. A majority of the investors are under 50 years of age, 47 percent of the investors are women, and half of the investors are not even college graduates. Most working-age investors describe themselves as blue- or white-collar workers rather than managers or professionals. I think that this rather dramatically reflects the change in the makeup of the investor on the stock market.

In addition to investing in the stock market, millions of Americans own small businesses and farms, and they certainly feel the impact of any tax on capital assets.

Mr. President, while a cut in the capital gains tax rate would help investors and their families, it is also likely to increase tax revenues. At first, this may seem odd, but there are two principal reasons that a cut in capital gains taxes increases revenues. First, there is the short-term incentive to sell more capital assets. Second is the long-term progrowth benefit from a capital-friendly tax policy.

Let me first discuss the short-term incentive to sell more assets. In order to understand this concept, one has to first recognize that the capital gains tax is largely a voluntary tax; the tax

is only paid if the investor chooses to sell the asset. If taxes are high, the investor can hold on to the asset for years. But when taxes are dropped down, lowered, investors will often decide to sell the assets and realize the capital gain.

History confirms this pattern. In 1978, when the capital gains tax rate was reduced from 40 percent to 28 percent, capital realizations increased by 50 percent and tax receipts increased. In fact, it was done at that particular point in our country's history to stimulate the economy.

In 1981, Congress and President Reagan further reduced the capital gains tax rate to 20 percent. Once again, capital realizations increased dramatically. And by 1983, they were again up by 50 percent. In fact, during the period from 1978 to 1983, capital gains tax rates were cut in half. But by the end of the period, the Federal Government was receiving twice as much revenue from capital gains taxes.

I would like to emphasize that point by turning to a chart which compares the level of capital gains tax with tax revenue over a 20-year period, running from 1976 and projecting out to the end of 1997. As the chart clearly shows, the tax rate was cut in half between 1997 and 1983, right in this time period here, and the revenues more than doubled, from \$9 billion in 1978 to nearly \$19 billion by 1983. This was not a temporary blip. As the chart shows, revenues continued to rise through the 1980s.

The underlying point is proven dramatically, I think, in 1986. What happened in 1986 is this: Congress voted to increase the capital gains tax to 28 percent. This was a 40 percent increase in the tax rate then in place. But the new, higher rate was delayed until January 1 of 1987. What we saw then was a massive sale of assets through 1986, while the rate was still 20 percent. Investors rushed to sell their assets before the higher 28 percent went into effect.

If we look again at the chart, we find that capital gains revenues, after 1986, began a nearly 5-year decline. In fact, despite the much higher tax rate, by 1991, capital gains revenues were actually at their lowest level since 1984.

Mr. President, the pattern should be clear by now. But I would like us to take one more look at this issue by reviewing the revenue estimates associated with last year's cut in the capital gains tax rate. Any time Congress considers tax changes, it is required to estimate the revenue impact of those changes. This task falls principally on the Joint Committee on Taxation, which relies on data compiled by the Congressional Budget Office. Current law requires revenue estimates to stretch 10 years into the future.

Last year, when Congress proposed to cut the capital gains rate from 28 to 20 percent, the Joint Committee on Taxation submitted its revenue estimate.

Despite forecasting an initial pick up in revenue due to greater realizations, JCT forecast a 10 year revenue loss from the rate cut of \$21 billion.